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AZ CORP COMMISSION  
DOCKET CONTROL

March 27, 2015

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Re: DSC Report Per Docket: E-01461A-14-0039, Decision No. 74592

Please find the enclosed summary report titled Trico Electric Cooperative ("Trico") ODSC for CFC Loan Agreements for Year Ended December 31, 2014, Compliance Report Decision No. 74592, and a copy of the final year-end audit report.

Trico is filing this report to comply with Decision No. 74592 to show that Trico meets the required DSC ratio following 2014's debt issuance.

The summary report shows that Trico's Operating DSC meets the 1.35 ratio that the Commission required in its decision by earning a 1.82 Operating DSC for year-end 2014, and a 1.95 average Operating DSC as calculated under the CFC methodology.

Please contact me at the information below if you have any questions.

Sincerely,

Brian Fickett  
Manager, Finance and Accounting  
Trico Electric Cooperative, Inc.  
520-744-2944 x 1369

Arizona Corporation Commission

DOCKETED

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**Trico Electric Cooperative**  
**Operating DSC for CFC Loan Agreements**  
**For Year Ended December 31, 2014**  
**Compliance Report Decision No. 74592**

	<b>YE 2012</b>	<b>YE 2013</b>	<b>YE 2014</b>
<b>i. Operating Margin</b>	\$ 5,331,501	\$ 5,542,468	\$ 4,614,141
<b>ii. Non-Operating Margins- Interest</b>	\$ 121,311	\$ 163,340	\$ 198,590
<b>iii. Interest Expense</b>	\$ 5,713,479	\$ 5,154,823	\$ 4,966,587
<b>iv. Depreciation and Amortization Expense</b>	\$ 6,507,488	\$ 6,503,111	\$ 6,559,506
<b>v. Capital Credit cash from G&amp;T and banks only</b>	\$ 153,763	\$ 113,594	\$ 401,298
<b>vi. Principal Payments on Long Term Debt</b>	\$ 3,394,494	\$ 3,832,534	\$ 4,227,956
Calculated from Statement of Cash Flows, Financing Activities			
<b>ODSC Per CFC Loan Agreements</b>	<b>1.96</b>	<b>1.94</b>	<b>1.82</b>
<b>(i + ii + iii + iv + v)/(iii + vi)</b>			
<b>CFC minimum ODSC: 1.35</b>			
<b>Average ODSC (average of two highest in three years)</b>			<b>1.95</b>

**ARIZONA 20 PIMA**

**TRICO ELECTRIC COOPERATIVE, INC.**

**MARANA, ARIZONA**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION**

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**ARIZONA 20 PIMA  
TRICO ELECTRIC COOPERATIVE, INC.  
MARANA, ARIZONA**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**Independent Auditor's Report**

Board of Directors  
Trico Electric Cooperative, Inc.  
Marana, Arizona

**Report on the Financial Statements**

We have audited the accompanying financial statements of Trico Electric Cooperative, Inc., which comprise the balance sheet as of December 31, 2014, and the related statements of income and patronage capital and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trico Electric Cooperative, Inc. as of December 31, 2014, and the results of their operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of Trico Electric Cooperative, Inc. as of December 31, 2013, were audited by other auditors whose report dated March 12, 2014, expressed an unmodified opinion on those statements.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015 on our consideration of Trico Electric Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trico Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

*Balinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

March 17, 2015

## TRICO ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEET  
DECEMBER 31, 2014 AND 2013

## ASSETS

	December 31,	
	2014	2013
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 228,660,020	\$ 222,785,251
Electric Plant Held for Future Use	166,341	166,341
Construction Work in Progress	5,223,645	7,358,854
	\$ 234,050,006	\$ 230,310,446
Less: Accumulated Provision for Depreciation	68,654,139	64,337,090
	\$ 165,395,867	\$ 165,973,356
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 37,544,230	\$ 32,977,014
Other Investments	98,916	115,653
	\$ 37,643,146	\$ 33,092,667
CURRENT ASSETS		
Cash - General	\$ 6,213,382	\$ 5,563,480
Temporary Cash Investments	2,000,000	3,000,000
Accounts Receivable (Less allowance for uncollectibles of \$751,831 in 2014 and \$797,973 in 2013)	4,852,406	4,341,257
Power Cost Adjustment-Underbilled		55,770
Materials and Supplies at Average Cost	2,971,375	2,992,647
Other Current and Accrued Assets	1,252,384	989,215
	\$ 17,289,547	\$ 16,942,369
DEFERRED CHARGES	\$ 4,602,413	\$ 5,106,110
TOTAL ASSETS	\$ 224,930,973	\$ 221,114,502

## EQUITIES AND LIABILITIES

EQUITIES		
Patronage Capital	\$ 82,553,634	\$ 74,190,419
Other Equities	6,866,873	6,829,851
	\$ 89,420,507	\$ 81,020,270
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities	\$ 14,401,997	\$ 18,661,240
FFB Mortgage Notes Less Current Maturities	47,393,552	46,421,184
CFC Mortgage Notes Less Current Maturities	30,128,923	31,106,923
CoBank Mortgage Notes Less Current Maturities	22,903,298	23,485,298
	\$ 114,827,770	\$ 119,674,645
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 4,318,000	\$ 4,199,773
Accounts Payable - Purchased Power	3,081,163	4,176,629
Accounts Payable - Other	1,277,074	1,223,723
Power Cost Adjustment - Overbilled	1,500,869	
Consumer Deposits	1,698,679	1,615,883
Accrued Taxes	2,140,417	1,727,201
Accrued Interest	135,046	143,040
Accrued Employee Compensated Absences	1,524,725	1,375,770
Other Current and Accrued Liabilities	541,864	477,160
	\$ 16,217,837	\$ 14,939,179
DEFERRED CREDITS	\$ 4,388,421	\$ 5,384,809
PENSION RESERVES - Deferred Compensation	\$ 76,438	\$ 95,599
TOTAL EQUITIES AND LIABILITIES	\$ 224,930,973	\$ 221,114,502

The accompanying notes are an integral part of these financial statements.

## TRICO ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENT OF INCOME AND PATRONAGE CAPITAL  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Years Ended December 31,				
	2014		2013		
	Amount	%	Amount	%	Increase (Decrease)
OPERATING REVENUES					
Residential	\$ 58,178,607	66.8	\$ 58,461,099	67.2	\$ (282,492)
Irrigation	96,998	0.1	90,141	0.1	6,857
Commercial and Industrial	28,606,294	32.8	27,161,622	31.2	1,444,672
Public Buildings and Other Authorities	99,755	0.1	90,610	0.1	9,145
Sales for Resale	132,075	0.2	91,713	0.1	40,362
Power Cost Adjustment	(1,556,638)	(1.8)	(315,378)	(0.4)	(1,241,260)
Rent from Electric Property	377,396	0.4	281,290	0.3	96,106
Other Electric Revenue	1,221,200	1.4	1,222,161	1.4	(961)
Total Operating Revenues	\$ 87,155,687	100.0	\$ 87,083,258	100.0	\$ 72,429
OPERATING EXPENSES					
Purchased Power	\$ 44,324,993	50.9	\$ 42,623,946	48.9	\$ 1,701,047
Transmission	7,350,232	8.4	9,327,818	10.7	(1,977,586)
Distribution - Operation	8,200,654	9.4	7,676,895	8.8	523,759
Distribution - Maintenance	1,760,940	2.0	1,769,325	2.0	(8,385)
Customer Accounts	2,431,189	2.8	2,580,889	3.0	(149,700)
Customer Service and Information	654,351	0.8	686,057	0.8	(31,706)
Administrative and General	5,324,461	6.1	5,009,458	5.8	315,003
Depreciation	6,559,506	7.5	6,503,111	7.5	56,395
Other Deductions	968,631	1.1	208,464	0.2	760,167
Total Operating Expenses	\$ 77,574,957	89.0	\$ 76,385,963	87.7	\$ 1,188,994
OPERATING MARGINS - Before Fixed Charges	\$ 9,580,730	11.0	\$ 10,697,295	12.3	\$ (1,116,565)
FIXED CHARGES					
Interest on Long-Term Debt	4,966,587	5.7	5,154,823	5.9	(188,236)
OPERATING MARGINS - After Fixed Charges	\$ 4,614,143	5.3	\$ 5,542,472	6.4	\$ (928,329)
Capital Credits	5,017,623	5.8	3,304,655	3.8	1,712,968
NET OPERATING MARGINS	\$ 9,631,766	11.1	\$ 8,847,127	10.2	\$ 784,639
NONOPERATING MARGINS					
Interest Income	\$ 198,591	0.2	\$ 163,339	0.2	\$ 35,252
Other Nonoperating Income	114,633	0.1	80,069	0.1	34,564
	\$ 313,224	0.3	\$ 243,408	0.3	\$ 69,816
NET MARGINS	\$ 9,944,990	11.4	\$ 9,090,535	10.5	\$ 854,455
PATRONAGE CAPITAL - Beginning of Year	74,190,419		66,826,546		
Patronage Capital Retired	(1,581,775)		(1,726,662)		
PATRONAGE CAPITAL - End of Year	\$ 82,553,634		\$ 74,190,419		

The accompanying notes are an integral part of these financial statements.

TRICO ELECTRIC COOPERATIVE, INC.

Exhibit C

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	December 31,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	\$ 9,944,990	\$ 9,090,535
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation	7,018,025	6,869,577
Capital Credits	(4,578,492)	(3,228,569)
Deferred Charges	503,697	(261,146)
Deferred Credits	(996,388)	(203,023)
Accounts Receivable	(455,379)	328,663
Inventories and Prepaid Expenses	(241,897)	121,154
Payables and Accrued Expenses	1,160,432	661,046
Net Cash Used In Operating Activities	\$ 12,354,988	\$ 13,378,237
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Utility Plant	\$ (6,735,250)	\$ (6,861,385)
Salvage Value of Retirements and Other Credits	431,581	632,217
Plant Removal Costs	(136,867)	(175,274)
Other Property and Investments	8,852	102,825
Net Cash Used in Investing Activities	\$ (6,431,684)	\$ (6,301,617)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from FFB	\$ 2,700,000	\$ 4,350,000
Payments on Long-Term Debt to RUS	(4,310,257)	(5,303,621)
Payments on Long-Term Debt to FFB	(1,613,065)	(1,255,236)
Payments on Long-Term Debt to CFC	(951,647)	(934,802)
Payments on Long-Term Debt to CoBank	(553,680)	(526,731)
Retirement of Patronage Capital	(1,581,775)	(1,726,662)
Other Equities	37,022	32,193
Net Cash Used in Financing Activities	\$ (6,273,402)	\$ (5,364,859)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ (350,098)	\$ 1,711,761
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	8,563,480	6,851,719
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 8,213,382	\$ 8,563,480
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest	\$ 4,968,583	\$ 5,164,479
Income Taxes	\$ 0	\$ 0
<b>NON CASH FINANCING TRANSACTIONS</b>		
Utility Plant Purchases Included in Accounts Payable	\$ 0	\$ 532,284
Pension Prepayment Financed By FFB	\$ 0	\$ 4,500,000

The accompanying notes are an integral part of these financial statements.

**TRICO ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

Trico Electric Cooperative, Inc. (the Cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Tucson Electric Power and Arizona Electric Power Cooperative, which Trico is a member. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital equity in the balance sheet.

**System of Accounts**

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the Rural Utilities Service (RUS).

**Electric Plant, Maintenance, and Depreciation**

Electric plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

**Inventories**

Materials and supplies inventories are valued at average unit cost.

**Electric Revenues**

The Cooperative's operating revenues are under the jurisdiction of the Arizona Corporation Commission.

The Cooperative records electric revenues as billed to consumers based upon meter readings obtained throughout the month. Revenue is not accrued for power delivered but not billed at the end of each month. The Cooperative's tariffs for electric service include power cost adjustment clauses under which electric rates are adjusted to reflect changes in the cost of purchased power. In order to match power cost and related revenues, power cost to be billed in subsequent periods is recognized as accounts receivable, and power cost to be refunded in subsequent periods is reflected as a liability.

**TRICO ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Patronage Capital Certificates**

Patronage capital from associated organizations is recorded at the stated amount of the certificate.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and temporary cash investments are treated as cash and cash equivalents.

**Concentration of Credit Risk**

The Cooperative's headquarters facility is located in Marana, Arizona. The service area includes members located in a three county area surrounding the city of Tucson. The Cooperative records a receivable for electric revenue as billed on a monthly basis. The Cooperative requires a deposit from its members upon connection, which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned along with accrued interest after one year of prompt payments. As of December 31, 2014 and 2013, deposits on hand totaled \$1,698,679 and \$1,615,883, respectively. Although the Cooperative maintains its bank deposits in institutions that are insured by an agency of the federal government, deposits at times exceed insured amounts.

**Uncertain Tax Positions**

On January 1, 2013, the Cooperative adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax exempt entity. The Cooperative determined that it is more likely than not that their tax positions will be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative files income tax returns in the U.S. federal jurisdiction. The Cooperative is no longer subject to U.S. federal and state income tax examinations by federal taxing authorities for years before 2011.

The Cooperative recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2014 and 2013.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

2. Assets Pledged

All assets are pledged as security for the long-term debt due RUS and the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank.

3. Electric Plant

The major classes of electric plant are as follows:

	December 31,	
	2014	2013
Intangible Plant	\$ 1,180	\$ 1,180
Other Production Plant	265,847	265,847
Transmission Plant	3,440,006	3,724,399
Distribution Plant	202,167,926	197,009,031
General Plant	22,785,061	21,784,794
Total Electric Plant in Service	\$ 228,660,020	\$ 222,785,251
Electric Plant Held for Future Use	166,341	166,341
Construction Work in Progress	5,223,645	7,358,854
Total Electric Plant in Service	\$ 234,050,006	\$ 230,310,446

Provision for depreciation of electric plant is computed using straight-line rates as follows:

Transmission Plant	2.75%
Distribution Plant	3.00%
Structures and Improvements	2.00% - 7.00%
Office Furniture and Fixtures	5.00% - 50.00%
Transportation Equipment	3.30% - 20.00%
Store Equipment	5.00% - 10.00%
Tools, Shop, and Garage Equipment	4.00% - 33.33%
Laboratory Equipment	5.00% - 20.00%
Power Operated Equipment	5.00% - 33.00%
Communication Equipment	5.00% - 33.33%
Miscellaneous General Plant	5.00% - 20.00%

Depreciation for the years ended December 31, 2014 and 2013, was \$7,018,025 and \$6,869,577, respectively, of which \$6,559,506 and \$6,503,111 was charged to depreciation expense, and \$458,519 and \$366,466 were allocated to other accounts.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

4. Other Property and Investments

Other property and investments consisted of the following as of December 31, 2014 and 2013:

	December 31,	
	2014	2013
CFC		
Capital Term Certificates	\$ 1,124,547	\$ 1,131,819
Patronage Capital	561,549	497,118
Membership	1,000	1,000
Arizona Electric Power Cooperative, Inc.		
Patronage Capital	29,216,392	25,966,330
Southwest Transmission Cooperative, Inc.		
Patronage Capital	5,987,075	4,838,896
Other	653,667	541,851
	<u>\$ 37,544,230</u>	<u>\$ 32,977,014</u>

5. Temporary Investments – At Cost

	December 31,	
	2014	2013
AEPCO Note Participation Program	<u>\$ 2,000,000</u>	<u>\$ 3,000,000</u>

6. Materials and Supplies

Materials and supplies consisted of:

	December 31,	
	2014	2013
Construction Materials and Supplies	\$ 2,909,576	\$ 2,916,748
Transportation Supplies	5,922	5,566
Fuel	55,877	70,333
	<u>\$ 2,971,375</u>	<u>\$ 2,992,647</u>

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

7. Deferred Charges

Deferred charges consisted of:

	December 31,	
	2014	2013
NRECA Retirement Program Prepayment	\$ 4,271,741	\$ 4,746,379
Preliminary Survey and Investigation	286,080	331,042
Other	44,592	28,689
	<u>\$ 4,602,413</u>	<u>\$ 5,106,110</u>

8. Return of Capital

Under the provisions of the mortgage agreements, until the equities and margins equal or exceed 30% of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 39.75% of the total assets at the balance sheet date. The Cooperative retired \$1,581,775 and \$1,726,662 of patronage capital during 2014 and 2013, respectively.

9. Patronage Capital

	December 31,	
	2014	2013
Assigned	\$ 72,608,644	\$ 65,099,884
Assignable	9,944,990	9,090,535
Balance	<u>\$ 82,553,634</u>	<u>\$ 74,190,419</u>

10. Other Equities

	December 31,	
	2014	2013
Retired Capital Credits - Gain	\$ 299,207	\$ 262,185
Donated Capital	4,484,682	4,484,682
Gain on Sale of Property	2,082,984	2,082,984
	<u>\$ 6,866,873</u>	<u>\$ 6,829,851</u>

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

11. Mortgage Notes – RUS

Long-term debt due RUS is represented by 35-year mortgage notes payable to the United States of America. Following is a summary of long-term debt due RUS and maturing at various times between 2015 and 2039:

	December 31,	
	2014	2013
4.62% Notes	\$ 2,645,468	\$ 2,742,120
5.00% Notes	9,655,057	13,151,443
5.12% Notes	2,870,699	2,969,535
5.50% Notes	1,499,037	1,561,461
5.75% Notes	1,314,736	1,370,695
Cushion of Credit	(2,500,000)	(2,000,000)
	\$ 15,484,997	\$ 19,795,254
Less: Current Maturities	1,083,000	1,134,014
	<u>\$ 14,401,997</u>	<u>\$ 18,661,240</u>

Principal and interest installments on the above notes are due in quarterly and monthly amounts. As of December 31, 2014, annual maturities of long-term debt due RUS for the next five years are as follows:

2015	\$ 1,083,000
2016	987,000
2017	1,039,000
2018	1,093,000
2019	1,820,000

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

12. Mortgage Notes - FFB

Following is a summary of long-term debt due FFB and maturing at various times between 2023 and 2042:

	December 31,	
	2014	2013
4.360% Notes	\$ 1,861,016	\$ 1,894,383
3.623% Notes	921,084	939,783
3.499% Notes	1,379,116	1,407,697
4.004% Notes	2,315,168	2,359,261
4.283% Notes	1,394,347	1,419,677
3.638% Notes	13,748,159	14,149,592
3.119% Notes	2,812,769	2,874,827
2.558% Notes	9,235,191	9,495,967
2.100% Notes	4,715,232	4,859,110
2.406% Notes	2,855,250	2,938,738
1.449% Notes	3,867,990	4,292,582
3.249% Notes	1,315,862	1,350,000
3.088% Notes	2,647,368	
	\$ 49,068,552	\$ 47,981,617
Less: Current Maturities	1,675,000	1,560,433
	<u>\$ 47,393,552</u>	<u>\$ 46,421,184</u>

The Cooperative has \$30,929,000 available in unadvanced loan funds at December 31, 2014.

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2014, annual maturities of long-term debt due FFB for the next five years are as follows:

2015	\$ 1,675,000
2016	1,709,000
2017	1,771,000
2018	1,823,000
2019	1,862,000

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**TRICO ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**13. Mortgage Notes – CFC**

Following is a summary of long-term debt due CFC and maturing at various times from 2015 to 2040:

	December 31,	
	2014	2013
2.60%-4.40% Notes	\$ 24,123,969	\$ 24,614,867
6.04% Notes	79,425	179,921
6.18% Notes	483,210	547,833
6.22% Notes	1,331,499	1,431,443
6.25% Notes	2,556,937	2,635,372
6.26% Notes	2,531,883	2,649,135
	<u>\$ 31,106,923</u>	<u>\$ 32,058,571</u>
Less: Current Maturities	<u>978,000</u>	<u>951,648</u>
	<u><u>\$ 30,128,923</u></u>	<u><u>\$ 31,106,923</u></u>

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2014, annual maturities of long-term debt due CFC for the next five years are as follows:

2015	\$ 978,000
2016	950,000
2017	1,005,000
2018	1,061,000
2019	1,120,000

**14. Mortgage Notes – CoBank**

Following is a summary of long-term debt due CoBank and maturing in 2039:

	December 31,	
	2014	2013
4.220% Note	\$ 23,485,298	\$ 24,038,976
	<u>\$ 23,485,298</u>	<u>\$ 24,038,976</u>
Less: Current Maturities	<u>582,000</u>	<u>553,678</u>
	<u><u>\$ 22,903,298</u></u>	<u><u>\$ 23,485,298</u></u>

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2014, annual maturities of long-term debt due CoBank for the next five years are as follows:

2015	\$ 582,000
2016	609,000
2017	643,000
2018	676,000
2019	885,000

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**TRICO ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**15. Short-Term Borrowing**

The Cooperative has a \$10,000,000 line of credit for short-term financing with CFC at an interest rate equal to CFC line of credit interest rate in effect at time of borrowing. The Cooperative also has a \$10,000,000 line of credit for short term financing with CoBank at CoBank's short term or long term interest rate in effect at time of borrowing. In addition, the Cooperative has a \$13,000,000 line of credit with a current interest rate of 2.42%. At December 31, 2014 the Cooperative had \$0 outstanding under these agreements.

**16. Litigation and Commitments**

The Cooperative is not involved in litigation which is expected to have an adverse effect on the financial position of the Cooperative.

**17. Deferred Credits**

Deferred credits consisted of:

	December 31,	
	2014	2013
Advances for Construction	\$ 2,364,502	\$ 2,917,395
Demand Side Management Program	12,228	39,600
Renewable Energy Program	1,358,316	1,645,425
Other	653,375	782,389
	<u>\$ 4,388,421</u>	<u>\$ 5,384,809</u>

Advances for construction represent refundable advances paid by the members. This amount is refunded over 10 years based on an agreement with the members. To the extent amounts remain after 10 years, these amounts are no longer refundable and are credited to construction work in progress.

ACC Mandated Energy Conservation Programs include Demand Side Management programs and Renewable Energy program designed to use renewable energy such as solar energy. These projects are funded by an ACC approved surcharge on the member's bill and the balance represents the unused portion of the amounts collected.

**18. Pension Benefits**

**Narrative Description**

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (the RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The RS Plan sponsor's Employer Identification Number is 53-0116145 and the RS Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

**TRICO ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Plan Information**

The Cooperative's contributions to the RS Plan in 2014 and 2013 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$1,869,977 in 2014 and \$1,821,273 in 2013. There have been no significant changes that affect the comparability of 2014 and 2013 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2014 and over 80% funded on January 1, 2013 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the RS Plan and may change as a result of plan experience.

**RS Plan Prepayment Option**

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using the RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However changes in interest rates, asset returns and other plan experiences different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period.

**Savings Plan**

The Cooperative participates in the NRECA Savings Plan, a defined contribution plan. The 401(k) Plan is available to all full time employees. Contributions to the 401(k) Plan by the Cooperative were \$345,759 and \$336,312 for 2014 and 2013, respectively.

**19. Related Party Transaction**

The Cooperative purchases a portion of its power from Arizona Electric Power Cooperative, of which it is a member and is represented on the Board of Directors. Power is purchased according to the contract currently in force.

**20. Disclosures About Fair Value of Financial Statements**

Many of the Cooperative's financial instruments lack an available market with similar terms, conditions, and maturities as those reflected in the carrying amount recorded. Accordingly, significant assumptions, estimations, and present value calculations were used for purposes of this disclosure.

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Estimated Fair Value has been determined by calculating the present value of financial instruments using the best data available.

Fair Value for some amounts carried on the financial statements has not been calculated for the following reasons:

Patronage Capital from Associated Organizations – The right to receive cash is an inherent component of a financial instrument. The Cooperative holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, Patronage Capital from Associated Organizations are not considered financial instruments.

CFC Capital Term Certificates – It is not practicable to estimate fair value for these financial instruments given the lack of a market and their long holding period. Relevant information with respect to these are as follows:

Amount	Rate	Maturity
\$ 176,811	5.00%	2070
215,823	5.00%	2075
412,463	5.00%	2080
59,300	3.00%	2020
58,300	3.00%	2025
75,450	3.00%	2030
126,400	0.00%	2021 to 2032

Temporary Investments – The recorded book value approximates fair value given the short period to maturity.

The estimated fair value of the Cooperative's financial instruments is as follows:

Long-Term Debt – The fair value of the Cooperative's fixed rate long-term debt is calculated by computing the present value of the individual notes to maturity. The discount rate used is the currently available CFC fixed interest rate available for long-term debt re-pricing at the same maturity as the current debt.

	Carrying Value	Fair Value
RUS	\$ 17,984,997	\$ 17,957,405
FFB	49,068,552	37,785,431
CFC	31,106,923	30,038,113
CoBank	23,485,298	20,672,283
	<u>\$ 121,645,770</u>	<u>\$ 106,453,232</u>

TRICO ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

**Fair Value Hierarchy**

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Cooperative has the ability to access at the measurement date.

Level 2 Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable inputs for the asset or liability.

Long-Term Debt valuations are considered Level 2.

**21. Subsequent Events**

The Cooperative has evaluated subsequent events through March 17, 2015, the date which the financial statements were available to be issued.

**22. Contingencies**

On June 18, 2014, the U.S. Environmental Protection Agency ("EPA") published the proposed Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, (the "Clean Power Plan") through Section 111(d) of the Clean Air Act. The Clean Power Plan seeks to reduce carbon emissions by 30% nationwide by 2030. In order to achieve that objective, the proposed Clean Power Plan assigns each state an individual carbon reduction target, based upon EPA's assessment of the state's ability to redispatch its coal fired plants to natural gas resources, utilize renewable resources and energy efficiency measures, and improve the efficiency of its existing generating units. Arizona's assigned target is a 51.7% reduction. The Clean Power Plan requires states to attain 70% of the reduction target (the "Interim target") by 2020. Arizona Electric Power Cooperative's assessment is that meeting the proposed Interim Target will require the retirement of AEPCO's two coal fired generating units by 2020. AEPCO would likely continue to be responsible for the payment of the outstanding debt on the generating units notwithstanding the requirement of the units, and would incur significant decommissioning costs. Under Trico's Partial Requirements Capacity and Energy Agreement with AEPCO, Trico has a 21.1% interest in the output of as well as the expenses associated with those generating units, and would potentially be responsible for that percentage of the loans and decommissioning costs of the units following their retirement. It is unknown whether the Arizona Corporation Commission would afford regulatory treatment to the decommissioned assets and allow AEPCO to pass the costs through to its members, including Trico. In addition, Trico would need to replace the capacity associated with its percentage ownership of the EAEPSCO coal units, likely at higher prices. Currently, approximately 75% of the energy Trico supplies to its members comes from the AEPCO coal units.

**TRICO ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Publication of the final Clean Power Plan is anticipated by the end of summer, 2015. If the Clean Power Plan is adopted and implemented in its current form, it will potentially have a material adverse effect on the final condition of Trico, depending upon the contractual and regulatory treatment of the AEPCO coal units following their retirement.

**ACCOMPANYING INFORMATION**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**INDEPENDENT AUDITOR'S REPORT ON  
ACCOMPANYING INFORMATION**

We have audited the financial statements of Trico Electric Cooperative, Inc. as of and for the year ended December 31, 2014, and our report thereon dated March 17, 2015, which expressed an unqualified opinion on those financial statements, appears on page 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The following schedules of plant, accumulated depreciation, other property and investments, patronage capital, mortgage notes, administrative and general expenses, and comparative information are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

March 17, 2015

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 1

ELECTRIC PLANT  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance 1/1/2014	Additions	Retirements	Balance 12/31/2014
<b>CLASSIFIED ELECTRIC PLANT IN SERVICE</b>				
Intangible Plant				
Organization	\$ 1,180	\$	\$	\$ 1,180
Other Production Plant				
Land and Land Rights	\$ 32,631	\$	\$	\$ 32,631
Power Plant Equipment	233,216			233,216
Total	\$ 265,847	\$ 0	\$ 0	\$ 265,847
Transmission Plant				
Land and Land Rights	\$ 532,578	\$	\$	\$ 532,578
Station Equipment	119,354			119,354
Poles and Fixtures	1,933,831	(282,994)	1,399	1,649,438
Overhead Conductors and Devices	1,138,636			1,138,636
Total	\$ 3,724,399	\$ (282,994)	\$ 1,399	\$ 3,440,006
Distribution Plant				
Land and Land Rights	\$ 101,005	\$	\$	\$ 101,005
Station Equipment	15,652,721	(5,175)	8,888	15,638,658
Poles, Towers, and Fixtures	22,766,295	3,664,803	482,604	25,948,494
Overhead Conductors and Devices	23,344,939	2,730,569	314,709	25,760,799
Underground Conduit	5,791,264	275,625	243,462	5,823,427
Underground Conductors and Devices	83,102,906	(122,127)	698,337	82,282,442
Line Transformers	27,276,069	1,195	263,128	27,014,136
Services	7,321,277	44,485	4,077	7,361,685
Meters	11,330,513	935,726	359,066	11,907,173
Installations on Consumers' Premises	320,484	10,089	2,024	328,549
Street Lights	1,558			1,558
Total	\$ 197,009,031	\$ 7,535,190	\$ 2,376,295	\$ 202,167,926
General Plant				
Land and Land Rights	\$ 734,514	\$	\$	\$ 734,514
Structures and Improvements	10,663,410	101,649		10,765,059
Office Furniture and Equipment	1,526,497	105,898	31,616	1,600,779
Transportation Equipment	5,295,037	1,183,347	492,654	5,985,730
Store Equipment	376,439	1,090		377,529
Tools, Shop, and Garage Equipment	693,704	37,002	34,518	696,188
Laboratory Equipment	928,423	129,011		1,057,434
Power Operated Equipment	859,686	26,744	10,283	876,147
Communication Equipment	517,628	30,104	40,922	506,810
Miscellaneous Equipment	189,456	3,418	8,003	184,871
Total	\$ 21,784,794	\$ 1,618,263	\$ 617,996	\$ 22,785,061
Total Classified Electric Plant in Service	\$ 222,785,251	\$ 8,870,459	\$ 2,995,690	\$ 228,660,020
Electric Plant Held for Future Use	166,341			166,341
Construction Work in Progress	7,358,854	(2,135,209)		5,223,645
Total Utility Plant	\$ 230,310,446	\$ 6,735,250	\$ 2,995,690	\$ 234,050,006

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 2

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance 1/1/2014	Depreciation Accruals	Retirements	Balance 12/31/2014
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Other Production Plant	\$ 23,966	\$ 11,754	\$	\$ 35,720
Transmission Plant	\$ 1,133,898	\$ 41,557	\$ 21	\$ 1,175,434
Distribution Plant	\$ 53,840,666	\$ 5,980,226	\$ 2,245,392	\$ 57,575,500
General Plant	\$ 9,474,371	\$ 984,488	\$ 548,773	\$ 9,910,086
Total Classified Electric Plant in Service	\$ 64,472,901	\$ 7,018,025	\$ 2,794,186	\$ 68,696,740
Retirement Work in Progress	(135,811)		(93,210)	(42,601)
Total	\$ 64,337,090	\$ 7,018,025	\$ 2,700,976	\$ 68,654,139

(1)

(2)

(1) Charged to Depreciation Expense  
Charged to Clearing and Other Accounts

\$ 6,559,506  
458,519

\$ 7,018,025

(2) Cost of Units Retired  
Add: Cost of Removal  
Less: Salvage and Other Credits

\$ 2,995,690  
136,867  
431,581

\$ 2,700,976

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 3

OTHER PROPERTY AND INVESTMENTS  
DECEMBER 31, 2014 AND 2013

	December 31,	
	2014	2013
<b>INVESTMENTS IN ASSOCIATED ORGANIZATIONS</b>		
Memberships		
National Rural Utilities Cooperative Finance Corporation	\$ 1,000	\$ 1,000
National Rural Electric Cooperative Association	10	10
National Information Systems Cooperative	25	25
Grand Canyon State Electric	100	100
National Cooperative Service Corporation	100	100
National Rural Telecommunications Cooperative	1,000	1,000
Southwest Transmission Cooperative	100	100
Sierra Southwest Cooperative		100
CoBank	1,000	1,000
Patronage Capital		
Arizona Electric Power Cooperative, Inc.	29,216,392	25,966,330
Southwest Transmission Cooperative	5,987,075	4,838,896
National Rural Utilities Cooperative Finance Corporation	561,549	497,118
National Information Systems Cooperative	180,274	154,621
National Rural Telecommunications Cooperative	25,688	27,044
CoBank	79,789	19,021
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	1,124,547	1,131,819
Capital Stock		
Federated Rural Electric Insurance Corporation - Preferred E Stock	211,374	180,620
Statewide Organizations		
Grand Canyon State Electric Building Fund	154,207	158,110
Total Investments in Associated Organizations	\$ <u>37,544,230</u>	\$ <u>32,977,014</u>
<b>OTHER INVESTMENTS</b>		
Cash Value Annuities	\$ 76,438	\$ 95,599
State Compensation Deposit	14,478	12,054
Other	8,000	8,000
	\$ <u>98,916</u>	\$ <u>115,653</u>
Total Other Property and Investments	\$ <u>37,643,146</u>	\$ <u>33,092,667</u>
<b>TEMPORARY INVESTMENTS</b>		
AEPCO Note Participation Program	\$ <u>2,000,000</u>	\$ <u>3,000,000</u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 4

PATRONAGE CAPITAL  
DECEMBER 31, 2014

Calendar Year	Assignable	Assigned	Balance
1990	\$	\$ 358,866	\$ 358,866
1991		143,598	143,598
1992		528,202	528,202
1993		883,046	883,046
1994		484,342	484,342
1995		1,144,645	1,144,645
1996		851,730	851,730
1997		693,508	693,508
1998		1,879,573	1,879,573
1999		2,170,504	2,170,504
2000		2,161,540	2,161,540
2001		3,522,063	3,522,063
2002		3,696,845	3,696,845
2003		2,285,054	2,285,054
2004		843,740	843,740
2005		1,589,159	1,589,159
2006		3,085,529	3,085,529
2007		2,487,976	2,487,976
2008		6,003,645	6,003,645
2009		7,874,326	7,874,326
2010		5,977,778	5,977,778
2011		6,847,803	6,847,803
2012		8,012,471	8,012,471
2013		9,082,701	9,082,701
2014	9,944,990		9,944,990
	\$ 9,944,990	\$ 72,608,644	\$ 82,553,634

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TRICO ELECTRIC COOPERATIVE, INC.

Schedule 5

**MORTGAGE NOTES  
DECEMBER 31, 2014**

**RUS Mortgage Notes**

Note Number	Date of Note	Interest Rate	Principal Amount	Deferred Interest	Amount Unadvanced	Principal Repayments	Net Obligation
Notes Paid in Full			\$ 44,624,986	\$	\$	\$ 44,624,986	\$
1B280	11-10-80	5.000%	1,673,000			1,600,539	72,461
1B282	11-10-80	5.000%	1,673,000			1,600,539	72,461
1B290	03-25-86	5.000%	1,562,000			1,058,641	503,359
1B292	03-25-86	5.000%	1,562,000			1,058,641	503,359
1B300	08-25-89	5.000%	2,933,500			1,565,849	1,367,651
1B302	08-25-89	5.000%	2,933,500			1,565,849	1,367,651
1B310	09-22-92	5.000%	2,698,000			1,142,679	1,555,321
1B315	09-22-92	5.000%	2,698,000			1,142,679	1,555,321
1B320	10-25-94	5.750%	1,966,000			651,264	1,314,736
1B325	10-25-94	5.500%	1,966,000			662,596	1,303,404
1B330	07-01-97	5.120%	3,955,000			1,084,301	2,870,699
1B335	07-01-97	4.620%	3,695,000			1,049,532	2,645,468
1B336	03-01-01	5.500%	260,000			64,367	195,633
1B364	08-02-04	5.000%	3,000,000			342,527	2,657,473
Cushion of Credit						2,500,000	(2,500,000)
Total RUS			\$ 77,199,986	\$ 0	\$ 0	\$ 61,714,989	\$ 15,484,997

**FFB Mortgage Notes**

H0010	10-20-08	4.360%	2,000,000			138,984	1,861,016
H0015	11-21-08	3.623%	1,000,000			78,916	921,084
H0020	3-23-09	3.499%	1,500,000			120,884	1,379,116
H0025	5-19-09	4.004%	2,500,000			184,832	2,315,168
H0030	7-17-09	4.283%	1,500,000			105,653	1,394,347
H0035	7-22-11	3.638%	15,000,000			1,251,841	13,748,159
H0040	9-1-11	3.119%	3,000,000			187,231	2,812,769
H0045	11-10-11	2.558%	10,000,000			764,809	9,235,191
H0050	11-16-12	2.100%	5,000,000			284,768	4,715,232
H0055	1-22-13	2.406%	3,000,000			144,750	2,855,250
H0060	6-17-13	1.449%	4,500,000			632,010	3,867,990
H0065	11-26-13	3.249%	1,350,000			34,138	1,315,862
H0070	2-27-14	3.088%	2,700,000			52,632	2,647,368
Total FFB			\$ 53,050,000	\$ 0	\$ 0	\$ 3,981,448	\$ 49,068,552

**CFC Mortgage Notes**

9016	09-30-80	6.040%	1,509,000			1,429,575	79,425
9017	12-31-85	6.180%	1,380,412			897,202	483,210
9018	06-30-89	6.220%	2,618,750			1,287,251	1,331,499
9019	09-22-92	6.260%	2,409,375			1,012,730	1,396,645
9020	10-25-94	6.260%	1,685,000			549,762	1,135,238
9021	07-01-97	6.250%	3,390,000			833,063	2,556,937
9026	08-23-12	2.60%-4.40%	25,245,000			1,121,031	24,123,969
Total CFC			\$ 38,237,537	\$ 0	\$ 0	\$ 7,130,614	\$ 31,106,923

**CoBank Mortgage Notes**

R11064T01	8-23-12	4.220%	24,690,777			1,205,479	23,485,298
Total CoBank			\$ 24,690,777	\$ 0	\$ 0	\$ 1,205,479	\$ 23,485,298

Net obligations include \$1,083,000 for RUS, \$1,675,000 for FFB, \$978,000 for CFC and \$582,000 for CoBank that are reclassified to current liabilities on the Balance Sheet.

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 6

ADMINISTRATIVE AND GENERAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	December 31,		Increase (Decrease)
	2014	2013	
Administrative and General Salaries	\$ 2,243,443	\$ 2,074,787	\$ 168,656
Office Supplies and Expense	726,185	601,149	125,036
Outside Services Employed	446,917	439,802	7,115
Injuries and Damages	345,813	326,180	19,633
Employee Pensions and Benefits	150,267	133,644	16,623
Annual Meeting	17,104	21,567	(4,463)
Miscellaneous and General Expense	663,448	676,886	(13,438)
Regulatory Commission Expense	161,483	164,685	(3,202)
Maintenance of General Plant	569,801	570,758	(957)
	<u>\$ 5,324,461</u>	<u>\$ 5,009,458</u>	<u>\$ 315,003</u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 7

FIVE YEAR COMPARATIVE DATA

Financial Data	Years Ended December 31,				
	2014	2013	2012	2011	2010
<b>OPERATING REVENUES</b>					
Residential	\$ 58,178,607	\$ 58,461,099	\$ 51,963,391	\$ 58,470,799	\$ 62,092,759
Irrigation	96,998	90,141	80,696	107,425	127,732
Commercial and Industrial	28,606,294	27,161,622	24,175,244	28,270,520	28,364,197
Public Buildings and Other Authorities	99,755	90,610	83,204	90,048	74,945
Sales for Resale	132,075	91,713	60,710	116,241	895
(Over) Under Billed Power Cost	(1,556,638)	(315,378)	522,782	(716,703)	681,924
Rent from Electric Property	377,396	281,290	209,744	291,082	353,125
Other Operating Revenues	1,221,200	1,222,161	1,320,311	1,204,244	1,090,678
Total Operating Revenues	\$ 87,155,687	\$ 87,083,258	\$ 78,416,082	\$ 87,833,656	\$ 92,786,255
<b>OPERATING EXPENSES</b>					
Purchased Power & Transmission	\$ 44,324,993	\$ 42,610,071	\$ 43,889,936	\$ 53,904,573	\$ 59,747,134
Transmission	7,350,232	9,341,693	49,138	45,713	309,260
Distribution - Operation	8,200,654	7,676,895	6,658,911	6,558,259	6,221,256
Distribution - Maintenance	1,760,940	1,769,325	1,666,986	1,643,551	1,665,111
Customer Accounts	2,431,189	2,580,889	2,727,348	2,669,470	2,838,200
Customer Service and Information	654,351	686,057	652,673	757,246	697,834
Administrative and General	5,324,461	5,009,458	4,829,979	5,026,377	4,640,301
Depreciation and Amortization	6,559,506	6,503,111	6,507,489	6,383,401	6,445,508
Taxes	3	(38)	2,664	(113)	(401)
Other Interest	2,364	3,182	2,958	31,490	4,778
Other Deductions	966,264	205,320	383,017	891,065	255,761
Total Operating Expenses	\$ 77,574,957	\$ 76,385,963	\$ 67,371,099	\$ 77,911,032	\$ 82,824,742
<b>OPERATING MARGINS - Before Fixed Charges</b>	\$ 9,580,730	\$ 10,697,295	\$ 11,044,983	\$ 9,922,624	\$ 9,961,513
<b>FIXED CHARGES</b>					
Interest on Long-Term Debt	4,966,587	5,154,823	5,713,480	6,281,573	6,492,483
<b>OPERATING MARGINS - After Fixed Charges</b>	\$ 4,614,143	\$ 5,542,472	\$ 5,331,503	\$ 3,641,051	\$ 3,469,030
Other Capital Credits	5,017,623	3,304,655	2,026,384	3,061,081	2,461,716
<b>NET OPERATING MARGINS</b>	\$ 9,631,766	\$ 8,847,127	\$ 7,357,887	\$ 6,702,132	\$ 5,930,746
<b>NONOPERATING MARGINS</b>					
Interest Income	\$ 198,591	\$ 163,339	\$ 121,311	\$ 78,572	\$ 102,930
Other Nonoperating Income	114,633	80,069	563,801	121,444	70,879
	\$ 313,224	\$ 243,408	\$ 685,112	\$ 200,016	\$ 173,809
<b>NET MARGINS</b>	\$ 9,944,990	\$ 9,090,535	\$ 8,042,999	\$ 6,902,148	\$ 6,104,555
<b>Miscellaneous Statistics</b>					
# Receiving Service - At End of Year	46,322	45,493	41,239	40,254	39,688
MWH Sales	671,749	662,065	661,213	647,788	619,772
Times Interest Earned Ratio	3.00	2.76	2.41	2.10	1.94
Debt Service Coverage	2.34	2.29	2.23	1.88	2.03
Equity to Total Assets	39.75	36.63	34.64	31.89	29.78
Equity to Total Capitalization	42.87	40.35	38.07	34.67	32.63

**COMPLIANCE AND INTERNAL CONTROL**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**LUBBOCK, TEXAS 79423-1954**

**REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL  
AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS**

**Independent Auditor's Report**

Board of Directors  
Trico Electric Cooperative, Inc.  
Marana, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Trico Electric Cooperative, Inc. (Trico) which comprise the balance sheet as of December 31, 2014, and the related statements of revenue and patronage capital, changes in cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2015. In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015, on our consideration of Trico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Trico failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Trico's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Trico's accounting and records to indicate that Trico did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements. In accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments.

This report is intended solely for the information and use of the board of directors, management and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Balinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

March 17, 2015

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**LUBBOCK, TEXAS 79423-1954**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

Board of Directors  
Trico Electric Cooperative, Inc.  
Marana, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Trico Electric Cooperative Inc. as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Trico Electric Cooperative Inc. basic financial statements, and have issued our report thereon dated March 17, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Trico Electric Cooperative Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trico Electric Cooperative Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Trico Electric Cooperative Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trico Electric Cooperative Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

March 17, 2015